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Did COVID'19 affect the Crypto currency Market- an Empirical Evidence, and Will There Be a Revolution for Crypto currency In India and What Would It Mean to the Startup Businesses

MS. JASMINE MEHTA¹

ABSTRACT

Even as whole of the world has summoned against Covid'19, everyone is now turning to think that how the world will be different after the unprecedented crises. As businesses rush to adapt to the new world of social distancing, the pandemic has accelerated an inexorable trend towards the digital commerce. This broader shift should also mean the widespread adoption and use of digital currencies, which would encompass and provide the stronger consumer financial and privacy protections to support the growing trend. Cryptocurrencies could create a more open financial system with improved consumer privacy protections.

Keywords: Covid'19, cryptocurrency.

I. WHEN IT ALL STARTED?

For most of the 20th century, encryption was reserved for national security needs. Cryptography helped the allies win the Second World War, and then it protected secret communications during the Cold War. Until 1992 and recently the US, as a matter of national security, did not allow cryptographic technology to be exported. Encrypted communication was not widely available, and anyone using it was assumed to have something to hide.

But starting in the 1990s, early internet entrepreneurs began calling for encryption to be used in e-commerce, arguing that it was needed in order to protect customer credit card numbers, passwords and other information entered online. And this technology going forward has the biggest leads in using the fintech in the financial sector to protect privacy of the transactions being carried out everyday on a large volume. It turned out that the same encryption technology that had been created in academic labs, where trust and collaboration reigned, could be useful to everyone.

¹ Author is a student at MIT world peace university, India.

II. WHAT ARE CRYPTOCURRENCIES USED FOR, ITS DIFFERENT TYPES AND IT IS LEGALLY ACCEPTED WORLD-WIDE?

A Cryptocurrency is a digital currency in which transactions are verified and records are maintained by a decentralized system using cryptography, rather than by a centralized authority. Cryptocurrency is **not accepted worldwide**, in some countries, it's not legal tender. Cryptocurrencies hold the promise of creating a more open financial system with worldwide access, instantaneous fund transfers, lower costs and vastly improved consumer privacy protections. But it has its own flaws, its price fluctuates a lot and the investments become very risky, as you can lose all your money and face grave losses. And due to this reason, it is still banned in India. But recently RBI has decided to lift up the ban on cryptocurrency investments. The different types of cryptocurrencies which are widely traded are:

Cryptocurrency	Symbol	Market Cap	Price	Available Supply
Bitcoin	BTC	\$ 119,876,387,269.00	\$ 7190.25	\$ 16,672,075
Ethereum	ETH	\$ 30,516,846,352.40	\$ 319.149	\$ 95,619,433
Bitcoin Cash	BCH	\$ 10,575,592,120.10	\$ 630.495	\$ 16,773,475
Ripple	XRP	\$ 8,338,995,653.50	\$ 0.21642	\$ 38,531,538,922
Litecoin	LTC	\$ 3,365,798,003.60	\$ 62.6238	\$ 53,746,

III. CURRENT SCENARIO OF CRYPTOCURRENCY AND COVID'19- WHAT IT WOULD MEAN FOR INDIA AFTER THE LIFTING OF THE BAN BY THE RBI

The initial signalling effects of the Covid'19 pandemic has led to a great shock for the financial markets, after its initial detection and announcement by the WHO on 11th march 2020. As, we know the market psychology, even a small affecting event has an effect on investor's confidence, on which whole of the global markets function, and witnesses the lows and the highs on a daily basis. And also due to some systematic and unsystematic risks persisting, liquidity constraints. Interestingly, the cryptocurrency market has the highest volatility which is compared to be next to the stock markets, as there are second changes in price indices. And even the cryptocurrency has an inverse relationship with that of equity, hence we can say that they are good to hold in the portfolio has a hedge against the risks that are posed by the risky assets of the portfolio. But we cannot also deny the fact, that Covid'19 has a major effect on the cryptocurrency market, in its initial detection phase, at the same period of time when even the stock market crash of 2020 took place. Though being considered as safe haven, next to that of gold and silver. But the truth of the matter, even of the prices of safe haven assets like gold and silver have tumbled upon in the initial phase.

To prove to this fact, that Covid'19 has affected the Cryptocurrency market in its initial phase of detection and the announcement of the pandemic by the WHO in march. We take into consideration the secondary data of one of the cryptocurrencies that is Bitcoin, by taking its daily closing price from a period of (24thJan2020-18thApril2020) corresponding to the daily death rates due to Covid'19 of the whole world as a proxy of the data of Covid'19. We basically try to prove that the increase in the COVID'19 death rates impact the daily close of Bitcoin (Cryptocurrency) in that initial period of detection.

Date	Covid'19 daily	Death	Bitcoin daily price	close
Jan. 24	41		8,445.43	
Jan. 25	56		8,367.85	
Jan. 26	80		8,596.83	
Jan. 27	106		8,909.82	
Jan. 28	132		9,358.59	

Jan. 29	170	9,316.63
Jan. 30	213	9,508.99
Jan. 31	259	9,350.53
Feb. 1	304	9,392.88
Feb. 2	362	9,344.37
Feb. 3	426	9,293.52
Feb. 4	492	9,180.96
Feb. 5	565	9,613.42
Feb. 6	638	9,729.80
Feb. 7	724	9,795.94
Feb. 8	813	9,865.12
Feb. 9	910	10,116.67
Feb. 10	1,018	9,856.61
Feb. 11	1,115	10,208.24
Feb. 12	1,261	10,326.05
Feb. 13	1,383	10,214.38
Feb. 14	1,526	10,312.12
Feb. 15	1,669	9,889.42
Feb. 16	1,775	9,934.43
Feb. 17	1,873	9,690.14
Feb. 18	2,009	10,142.00
Feb. 19	2,126	9,633.39
Feb. 20	2,247	9,608.48

Feb. 21	2,360	9,686.44
Feb. 22	2,460	9,663.18
Feb. 23	2,618	9,924.52
Feb. 24	2,699	9,650.17
Feb. 25	2,763	9,341.71
Feb. 26	2,800	8,820.52
Feb. 27	2,858	8,784.49
Feb. 28	2,923	8,672.46
Feb. 29	2,977	8,599.51
Mar. 1	3,050	8,562.45
Mar. 2	3,117	8,869.67
Mar. 3	3,202	8,787.79
Mar. 4	3,285	8,755.25
Mar. 5	3,387	9,078.76
Mar. 6	3,493	9,122.55
Mar. 7	3,599	8,909.95
Mar. 8	3,828	8,108.12
Mar. 9	4,025	7,923.64
Mar. 10	4,302	7,909.73
Mar. 11	4,635	7,911.43
Mar. 12	4,993	4,970.79

Mar. 13	5,445	5,563.71
Mar. 14	5,866	5,200.37
Mar. 15	6,574	5,392.31
Mar. 16	7,229	5,014.48
Mar. 17	8,066	5,225.63
Mar. 18	9,067	5,238.44
Mar. 19	10,193	6,191.19
Mar. 20	11,610	6,198.78
Mar. 21	13,276	6,185.07
Mar. 22	14,966	5,830.25
Mar. 23	16,964	6,416.31
Mar. 24	19,550	6,734.80
Mar. 25	22,192	6,681.06
Mar. 26	25,310	6,716.44

Mar.		
27	28,861	6,469.80
Mar.		
28	32,708	6,242.19
Mar.		
29	36,206	5,922.04
Mar.		
30	40,495	6,429.84
Mar.		
31	45,249	6,438.64
Apr. 1	50,598	6,606.78
Apr. 2	56,998	6,793.62
Apr. 3	63,195	6,733.39
Apr. 4	69,502	6,867.53
Apr. 5	74,762	6,791.13
Apr. 6	80,523	7,271.78
Apr. 7	88,362	7,176.41
Apr. 8	95,290	7,334.10
Apr. 9	1,03,112	7,302.09
Apr. 10	1,10,358	6,865.49
Apr. 11	1,16,763	6,859.08
Apr. 12	1,22,535	6,971.09
Apr. 13	1,28,321	6,845.04
Apr. 14	1,35,873	6,842.43
Apr. 15	1,44,136	6,642.11

Apr. 16	1,51,152	7,116.80
Apr. 17	1,59,686	7,096.18
Apr. 18	1,66,387	7,257.66

Table1- The daily deaths due to covid'19 worldwide and the daily close of the Bitcoin. (Source: WHO, Yahoo Finance).

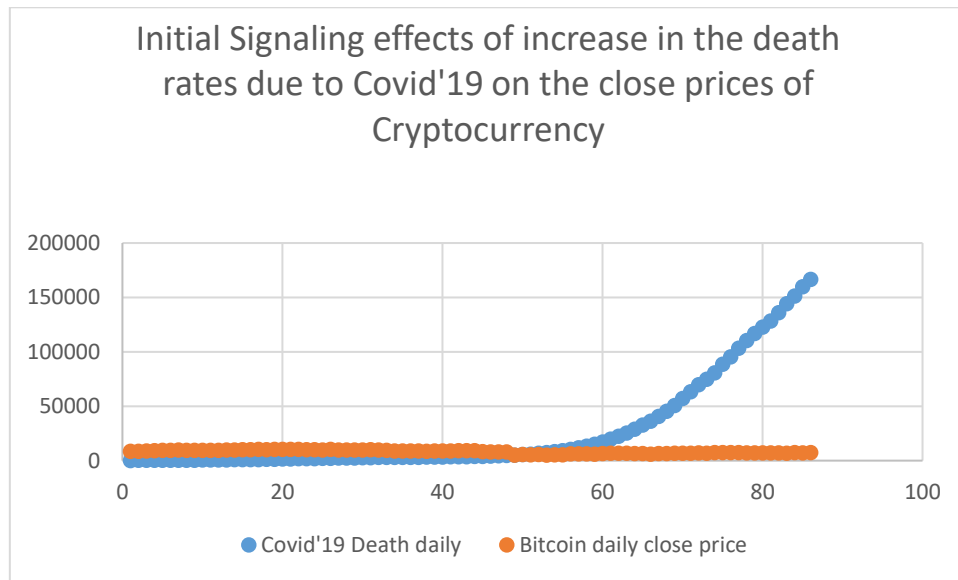


Chart1- Initial signaling effects of increase in the death rates due to Covid'19 on the close prices of Bitcoin.

We use Pearson’s correlation matrix to prove the close association between two variables, and if there is an impact of Covid’19 death rates on the bitcoin close prices. The high the r value of correlation the more the high association between the variables, which proves that Covid’19 has affected cryptocurrency market as one of the factors for the tumble in its prices in the initial period as defined above. The p-value of Pearson’s R score is also calculated to further prove a statistically significant relationship between the variables.

Table 3: Correlations.

		Covid'19	Bitcoin
Covid'19	Pearson's correlation	r	-
		1.00	.42457**
	Sig. (2 tailed)	P-value)	0.00
	N	86.00	86.00

Bitcoin	Pearson's correlation	r	- .42457**	1.00
	Sig. (2 tailed)	P-value)	0.00	
	N		86.00	86.00

** . Correlation is significant at the 0.01 level (2 tailed)

The result indicates a high degree of negative correlation (-.42457) between the two variables that is Covid'19 death daily death toll and bitcoin daily close. Therefore, it can be concluded that as the death rates per day go on increasing there is corresponding fall in the close of bitcoin(cryptocurrency). Also, the change is statistically significant (P-Value is .000). Hence Covid'19 had an impact on the cryptocurrency market in terms of daily close, per day increase in death toll affected the daily close. The price of bitcoin has fallen to its lowest level in nearly a year, losing more than half of its value amid a major cryptocurrency sell-off sparked by the spread of coronavirus.

Other major cryptocurrencies experienced similar losses, including Ethereum, XRP.

With the Supreme Court lifting RBI ban on cryptocurrency trade in India, players in the Indian crypto ecosystem are looking forward to the regulation of cryptocurrency and have expressed support for the same. The current move is expected to provide great impetus to the start-up ecosystem and will lead to increased adoption of the blockchain technology. This curb on the crypto ban is a progressive step towards strengthening innovation and development in India. This will be a step forward to empower entrepreneurs who build innovative business models to solve multiple grassroots problems in India using crypto. It emboldens them to revive their contribution to wealth creation for the country. Crypto needs to be regulated in India, and we are all for it. Tax it and bring in KYC and AML measures to avoid any misuse if need be. In fact, regulating crypto is far easier than regulating physical cash. However, an outright ban sends India back to the Stone Age. Cryptocurrency is set to disrupt businesses across sectors and if regulated well and used for good, it will be instrumental in empowering entrepreneurs and thereby aid in wealth creation for the country.

This ruling is significant for the Indian crypto market, especially in the start-up ecosystem. It instils a sense of confidence about the Indian market among foreign investors like AE Ventures and others and opens up a plethora of opportunities for Indian start-ups and corporates to build innovative solutions using crypto. Crypto is set to disrupt the current ecosystem and India has

the potential to be a proponent of this wave.

According to a report in Business Insider, the cryptocurrency market in India was worth \$12.9 billion in 2016-17, a time when digital currencies had taken the world by storm.

Several exchanges popped during crypto's unprecedented boom, with about 750 Bitcoins trading on a daily basis, data collated from CREBACO, a Mumbai-based research foundation, showed. Indian investors were extremely bullish on the crypto market at that time, with Zebpay, a cryptocurrency exchange, reporting 300,000-400,000 new users every month. In a 2016 interview with DNA, Sandeep Goenka, co-founder of Zebpay, said that the company was raking in an annual turnover of Rs 500 crore in less than two years since inception.

The frenzy was such that nearly five million Indian users were trading popular digital currencies, bringing in monthly volumes of Rs10,000 crore.

However, all the hype came crashing down in April 2018, when RBI imposed a blanket ban on cryptocurrencies.

However, with the judgement that came on 4th march 2020, the cryptocurrency has once again become the talk of the town and only time will tell if it can recapture its former glory and will the biggest revolution for the Indian start-ups and businesses envisaging new opportunities through this digitalisation.

IV. REFERENCES

- Bloomberg markets: cryptocurrency bitcoin data
- Yahoo finance: historical data
- Ministry of health and family welfare, India.
